

## 1.6 Direct effects of illustrative changes <sup>1,2</sup>

	£ million		
	2010-11	2011-12	2012-13
<b>Income Tax</b>			
<i>Rates</i>			
Change starting rate for savings income by 1p <sup>3</sup>	neg	10	20
Change savings basic rate by 1p	70	130	170
Change basic rate by 1p <sup>4</sup>	3,400	4,050	4,100
Change basic rate in Scotland by 1p <sup>4</sup>	340	400	400
Change higher rate by 1p <sup>5,6</sup>	670	950	950
Change additional rate by 1p <sup>5,6,7</sup>	290	550	550
<i>Allowances and reliefs</i>			
Change personal allowance by £100	510	650	650
Change age-related personal allowances by £100	70	80	85
Change aged income limit by £500	20	25	25
Change all personal allowances by 1 per cent	400	470	460
Change all personal allowances by 10 per cent	3,900	4,650	4,700
<i>Limits</i>			
Change starting rate limit for savings income by £100	neg	5	5
Change basic rate limit by 1 per cent	180	250	220
Change basic rate limit by 10 per cent:			
Increase (cost)	1,650	2,500	2,500
Decrease (yield)	2,100	3,150	3,300
Change higher rate limit by 1 per cent <sup>6</sup>	20	50	50
Change higher rate limit by 10 per cent <sup>6</sup>			
Increase (cost)	200	450	450
Decrease (yield)	250	550	550
<i>Allowances, starting and basic and higher rate limits</i>			
Change all main allowances, starting, basic and higher rate limits by 1 per cent <sup>6</sup>	590	740	730
Change all main allowances, starting, basic and higher rate limits by 10 per cent <sup>6</sup>			
Increase (cost)	5,550	7,300	7,650
Decrease (yield)	6,350	8,450	9,050
<i>Working Tax Credit</i>			
Change basic element by £100	340	350	340
Change 30-hour element by £100	250	260	250

## 1.6 Direct effects of illustrative changes in income tax and tax credits <sup>1,2</sup>

	£ million		
	2010-11	2011-12	2012-13
Change additional elements for couples and lone parents by £100	300	300	320
<i>Child Tax Credit</i>			
Change family element by £100 <sup>8</sup>	530	560	540
Change child element by £100	800	780	760
<i>Common Features</i>			
Change first income threshold by £100	100	100	100
Change second income threshold by £100	10	10	10
<b>Corporation tax</b>			
Increase small companies' rate by 1 percentage point <sup>9</sup>	20	420	580
Increase main rate by 1 percentage point <sup>9</sup>	400	800	850
Increase small and main rate threshold by £10,000	0	10	20
<b>Capital gains tax</b>			
Change rate by 1 percentage point	0	100	110
Increase annual exempt amount by £500 for individuals and £250 for trusts <sup>10</sup>	0	15	20
<b>Inheritance tax</b>			
Change rate by 1 percentage point	20	50	55
Increase threshold by £5,000	15	30	35
<b>National insurance contributions</b>			
<i>Rates</i>			
Change Class 1 employee main rate by 1 percent point	3,850	4,050	4,250
Change Class 1 employee additional rate by 1 percent point <sup>10</sup>	950	1,000	1,050
Change Class 1 employer rate by 1 percentage point <sup>11</sup>	4,900	5,150	5,400
Change Class 2 rate by £1 per week	150	155	165
Change Class 4 main rate by 1 percentage point	330	345	360
Change Class 4 additional rate by 1 percentage point <sup>10</sup>	185	190	200
<i>Limits</i>			
Change employee entry threshold by £2 per week	230	295	290
Change employer threshold by £2 per week	275	355	345
Change lower profits limit by £104 per year	20	20	20
Change upper profits limit by £520 per year <sup>12</sup>	10	10	10
Change upper earnings limit by £10 per week <sup>12</sup>	125	130	135

## 1.6 Direct effects of illustrative changes <sup>1,2</sup>

		£ million		
		2010-11	2011-12	2012-13
<b>One per cent change</b>	<b>Indicative level of current duty on a typical item <sup>13</sup></b>			
Beer and cider duties	Pint of beer: 39p	30	35	35
Wine duties	75cl bottle of table wine: £1.61	20	25	25
Spirits duties	70cl bottle of whisky: £6.14	5	neg	neg
Tobacco duties <sup>14</sup>	20 king size cigarettes: £3.69	35	35	35
Petrol	Litre of petrol: 56.19p	130	120	120
Diesel	Litre of diesel: 56.19p	160	160	160
Rebated oil	Litre of gas oil: 10.80p	5	10	10
Vehicle Excise Duty <sup>15</sup>	Petrol/diesel cars band G: £150	60	60	60
Air passenger duty <sup>15</sup>	Band A economy flight: £11	25	25	30
Landfill tax	Tonne of waste: £2.50/£48	10	10	10
Climate change levy	100kWh of business electricity: 47p	5	5	5
Aggregates levy	Tonne of aggregate: £2.00	5	5	5
<b>VAT</b>				
VAT: change reduced rate by 1 percentage point		290	310	330
VAT: change standard rate by 1 percentage point <sup>16</sup>		4,100	4,500	4,700
<b>Insurance premium tax</b>				
Change standard rate by 1 percentage point		330	440	450
Change higher rate by 1 percentage point		10	10	10
<b>Stamp duty land tax <sup>6</sup></b>				
Change 1 per cent rate by 1 percentage point <sup>17</sup>		910	1,110	1,260
Change 3 per cent rate by 1 percentage point <sup>17</sup>		600	780	1,030
Change 4 per cent rate by 1 percentage point <sup>17</sup>		750	940	1,180
Change rate on leases by 1 percentage point <sup>17</sup>		280	330	390
Increase £125,000 threshold by £5,000 (cost) <sup>18</sup>		20	25	30
Increase £250,000 threshold by £5,000 (cost) <sup>17</sup>		45	55	65
Increase £500,000 threshold by £10,000 (cost) <sup>17</sup>		10	10	15

Table Updated December 2009

<sup>1</sup> Estimates are measured from the relevant standard indexed base, i.e. they show the impacts of the various illustrative changes on top of what is already assumed in the indexed baseline (generally revalorisation plus any announced pre-commitments). However for Income Tax and National Insurance, all pre announced changes starting from 2011-12 onwards have been excluded to prevent double counting.

<sup>2</sup> Assuming implementation in April 2010 for all taxes except insurance premium tax (July 2010 and not allowing for any concessionary period).

<sup>3</sup> Includes non-savings income only.

<sup>4</sup> Excluding savings income taxed at the lower or starting rates and dividends.

<sup>5</sup> Excluding dividend income.

<sup>6</sup> These figures are not directly comparable to those presented in the Budget and Pre-Budget Reports as they exclude behavioural effects.

<sup>7</sup> Additional rate is introduced in 2010-11 and was announced at Budget 2009

<sup>8</sup> Excluding family element, baby addition.

<sup>9</sup> Estimates exclude North Sea oil and gas companies, but include the impact of a main rate change on marginal small company receipts.

<sup>10</sup> These figures are not directly comparable to those presented in the Budget and Pre-Budget Reports as they exclude behavioural effects.

<sup>11</sup> Estimates include Class 1A and Class 1B national insurance contributions paid by employers.

<sup>12</sup> Estimates include employee national insurance contributions and offsetting effects of contracted-out rebates. Consequential long-term effects on State Second Pension expenditure have not been allowed for.

<sup>13</sup> These figures are illustrative as at October 2009 and do not equate to the weighted average level of duty on each item.

<sup>14</sup> Duty on cigarettes has specific and ad valorem elements. The figures shown are for a one per cent change in total duty for cigarettes and in the specific duties for other products.

<sup>15</sup> Change applies to all VED and APD rates.

<sup>16</sup> Change applies to the standard rate of VAT at 17.5%.

<sup>18</sup> Estimates include both residential and commercial transactions, and ignore the temporary increase in the £125,000 threshold to £175,000 for residential transactions.

<sup>19</sup> Threshold only applies to residential transactions, and ignore the temporary increase in the £125,000 threshold to £175,000 for residential transactions. Adjusted for impact on disadvantaged areas relief.